The Basics of the Covered Call Strategy:
Potential Income + Capital Growth

The "covered call" is a popular options trading strategy that can provide investors with enhanced income and risk management while still seeking capital appreciation. This conservative approach is particularly beneficial for investors looking to generate income on stocks they already own, including ones that may not pay any dividends, while managing downside risk.

How covered call strategies work

A covered call position is established when an investor who owns a stock sells a call option on that same stock to generate income. The goal is to collect the option premium while agreeing to sell the stock at a predetermined price (strike price) if exercised. This strategy works best when the investor expects the stock to stay flat or rise slightly. If the stock price stays below the strike price, the investor keeps both the premium and the stock. However, if the stock rises above the strike price, the investor must sell at that price, potentially capping gains.

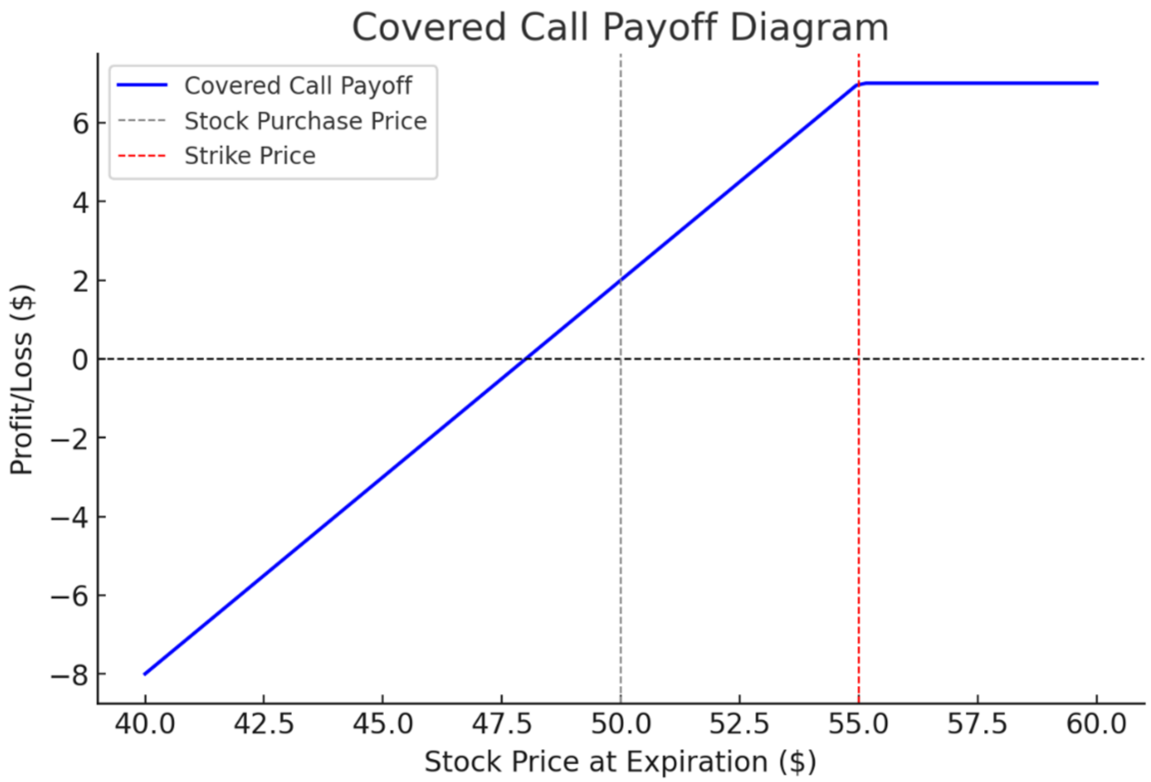
An example of a covered call strategy

Suppose you own 100 shares of XYZ stock, currently trading at $50 per share. You sell a call option with a strike price of $55 for a premium of $2 per share (total premium you collected = $200).

Possible Outcomes at Expiration

- **Stock stays below $55** → The option expires worthless, and you keep the $200 premium while still holding your shares of XYZ.
- **Stock rises above $55** → The option is exercised, and you must sell your shares of XYZ for $55 per share, earning a total profit of $700 ([$55 - $50] × 100 shares + $200 premium).
- **Stock drops** → Losses are partially offset by the $200 premium collected.

Here's how the strategy looks graphically.



As you can see:

- If the stock declines, the premium provides a small cushion.
- **Gains are capped:** The maximum profit occurs at the strike price ($55), where the stock is called away.
- **Breakeven:** The investor breaks even at **$48** (stock purchase price minus premium received from selling the call options).

Benefits and limitations of a covered call strategy

One of the primary benefits of a covered call strategy is the ability to generate additional income. By selling (writing) call options on stocks already owned, investors receive premium payments from buyers of those options. This premium provides an immediate return and can boost overall portfolio income, making it an attractive strategy for those seeking a cashflow. This could be attractive to investors that want exposure to stocks that historically may pay little or no dividends of their own, such as Nvidia, Tesla, Apple, Amazon, and many other technology companies.

The effect of compounding can also benefit investors. Reinvesting the income back into the strategy can make your investment grow faster over time. As income is accumulated, you can put that money to work by buying more stock and selling more call options.

Another advantage of covered calls is their role in risk mitigation. The premium collected from selling the call helps offset potential declines in the stock price, offering a cushion against market volatility. While this does not eliminate downside risk, it can reduce overall losses compared to simply holding the stock without writing calls. This makes covered calls particularly appealing during periods of market uncertainty or for stocks with limited expected price movement.

Covered calls can also enhance portfolio diversification by allowing investors to systematically manage their holdings. Investors can implement this strategy across various sectors, reducing overexposure to a single asset class while maintaining long-term positions. This approach helps balance risk and reward while keeping portfolios aligned with broader investment objectives.

What are covered call ETFs?

A recent investment innovation has been the introduction of covered call exchange-traded funds (ETFs) that execute the strategy ***inside*** of the fund. Some covered call ETFs are actively managed, and provide exposure to a portfolio of stocks, where call options are sold on each stock position. This benefits investors because managing a covered call strategy on several stocks may be too difficult, too expensive, or too time consuming.

Investors in actively managed covered call ETFs also benefit from diversified exposure to many stocks across industries or in the same industry. Selling call options on a portfolios of stocks could help mitigate risk of any single stock, or individual covered call strategy, underperforming.

What is YieldMax™?

YieldMax™ is a growing family of actively managed covered call ETFs. Unlike passive swap-based funds that provide exposure to the strategy, YieldMax™ funds seek income from a physical portfolio of covered call positions on many of the largest stocks in the technology sector. Further, YieldMax™'s active management allows for enhanced variations of the covered call strategy, which will be discussed in a future note. In the meantime, you can learn more about YieldMax™ at **www.YieldMaxETFs.com**.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus at **elevateshares.com**. Please read the prospectuses carefully before you invest.

Risk Information

Call Writing Strategy Risk. The path dependency (i.e., the continued use) of the Fund's call writing strategy will impact the extent that the Fund participates in the positive price returns of the underlying reference asset and, in turn, the Fund's returns, both during the term of the sold call options and over longer time periods.

Options Contracts. The use of options contracts involves investment strategies and risks different from those associated with ordinary portfolio securities transactions. The prices of options are volatile and are influenced by, among other things, actual and anticipated changes in the value of the underlying instrument, including the anticipated volatility, which are affected by fiscal and monetary policies and by national and international political, changes in the actual or implied volatility or the reference asset, the time remaining until the expiration of the option contract and economic events.

Derivatives Risk. Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other ordinary investments, including risk related to the market, imperfect correlation with underlying investments or the Fund's other portfolio holdings, higher price volatility, lack of availability, counterparty risk, liquidity, valuation and legal restrictions.

The funds are distributed by Foreside Fund Services, LLC. Foreside Fund Services, LLC is not affiliated with YieldMax.